Cost Per Case-Mix Adjusted Discharge Formula
Proposed by the Maine Hospital Association
October 7, 2003

Total Expenses – Bad Debt – State Hospital Tax
$$\rule{4in}{0.5pt}$$
Inpatient Discharges x Case-Mix Index

+

(Outpatient Revenue / (Inpatient Revenue / Inpatient Discharges))

NOTES:

All data is taken from the hospital's Medicare cost report.

- Total Expenses is defined as hospital only expenses. This includes any item that is listed on the cost report including acute sub-providers, such as a Psychiatric or Rehab Units, but does not include any hospital based units that may not be put through the CMS Grouper (i.e. SNFs, swing beds, etc). Also excluded are Home Health Agencies, Nursing Facilities, Swing Beds, Skilled Nursing Facilities, and Hospital-owned Physician Practices.

- Bad Debt Expense is not included on the cost report.

- The State Hospital Tax was a one-time assessment paid in 2003. This is removed because it was a one-time expense making it not conducive for comparison from year to year.

  Total Expenses, worksheet C, part I, column 1, line 103 (already excludes bad debt)
  Less: worksheet C, part I, column 1, line 34 Skilled Nursing Facility, line 35 Nursing Facility, and line 36 Other Long Term Care
  Less: Hospital Tax, gross tax figure will be provided by MHA (assumes that the tax is included in total on line 103.)

- Inpatient Discharges are obtained from MHDO data.

- The CMS Medicare Case Mix Index is used to adjust the formula for acuity. The CMS Medicare Case Mix Index was chosen because it is a measure that was already calculated for the base year and is currently used by all Maine Hospitals. It also has the advantage of being used by other states and allows for regional and national comparisons. The index will be calculated by applying the CMS grouper to all discharges.

- There is no such thing as an outpatient discharge, so therefore a formula is needed to establish "revenue per outpatient discharge". This uses a standard industry formula that divides inpatient discharges into inpatient revenue and establishes a factor. This factor is then divided into outpatient revenue to get revenue per "outpatient discharge".

> **Total Outpatient Revenue**, worksheet C, part I, column 7, line 103
> *Less:* worksheet C, part I, column 7, lines 34, 35 and 36
>
> Divided by the ratio of:
>
> **Total Inpatient Revenue**, worksheet C, part I, column 6, line 103
> *Less:* worksheet C, part I, column 6, lines 34, 35 and 36
>
> to:
>
> **Total Discharges**